

Cloud-based human capital management solutions can provide organizations with the scalability and flexibility needed to adapt to dynamically changing market conditions.

Unlocking the Future of Human Capital Management: Embracing Cloud, Sustainability, and Innovation

October 2024

Written by: Sam Halwani, Research Vice President, Human Capital Management, and Zach Chertok, Research Manager, Employee Experience

Introduction

Focus on the future of work is intensifying as organizations are challenged to redesign work processes and build a competitive workforce to stay ahead. The shift to cloud-based solutions is not merely a trend but a strategic imperative, as businesses must remain competitive. Simultaneously, AI, automation, and analytics are redefining how organizations manage talent, moving beyond traditional methods to foster a more dynamic and responsive workforce. For example, companies that commit to a skills-based approach to talent management will develop and retain top performers more effectively. This Spotlight explores how the convergence of cloud and AI technologies offers crucial insights into the skills and capabilities of the total workforce.

Trends

The human capital management (HCM) market is quite dynamic. Several key trends are shaping the future of HCM, each bringing its own set of opportunities and challenges:

- » **Increasing cloud adoption:** The movement toward cloud-based HCM systems is gaining momentum, with a growing number of organizations recognizing the benefits of agility, innovation, and enhanced employee experience.

As more businesses migrate to the cloud, the HCM landscape is becoming increasingly competitive, with providers constantly innovating to differentiate their offerings. Trends in AI alone are changing management and engagement models to concentrate on personalized employee experiences, digital resourcing, and

AT A GLANCE

KEY STATS

- » By 2025, over 70% of HCM systems globally will be cloud based, driven by the need for agility, innovation, and enhanced employee experience, according to *Worldwide Human Capital Management and Payroll Applications Forecast, 2024–2028* (IDC #US52601624, October 2024).
- » Organizations that integrate AI into their HCM systems are projected to achieve a 30% increase in productivity by 2026, according to IDC's 2024 *Future of Work Survey*.

KEY TAKEAWAYS

- » The rapid shift toward cloud-based HCM systems is a necessity for organizations seeking agility, efficiency, and enhanced employee experiences. Cloud technology is critical for companies to stay competitive in today's dynamic business environment.
- » As technology evolves, the ability to build a sustainable, future-ready workforce is crucial. Continuous learning, upskilling, and reskilling are necessary strategies for organizations to stay relevant and competitive in a rapidly changing market.

knowledge access. The rise of personalization frameworks is fueled by the growing scope of AI and generative AI (GenAI) use cases that is on track to push more than 70% of HCM use cases to the cloud by the end of 2025, according to IDC's August 2024 *Human Capital Management Survey*.

- » **AI and automation:** The integration of advanced technologies such as AI and generative AI into HCM systems is accelerating how organizations manage their talent. Whether using AI to automate repetitive tasks, enhance decision-making processes, or deliver personalized employee experiences, next-generation AI and GenAI are becoming the driving force behind revolutionizing work. AI-powered HCM systems are expected to boost productivity and reduce operational costs. IDC's 2024 *Future of Work Survey* found organizations that integrate AI into their HCM systems are projected to achieve a 30% increase in productivity by 2026.
- » **Workforce sustainability:** With the growing adoption of advanced HCM technologies, companies worldwide are focusing on building a sustainable, future-ready workforce to remain relevant. This involves continuous learning, upskilling, and reskilling initiatives to prepare employees for the demands of the AI and cloud era. About 60% of organizations globally plan to integrate AI and automation into their talent management systems by 2025 to address skill gaps, according to *IDC FutureScope: Worldwide Future of Work 2024 Predictions* (IDC #US49963723, October 2023).
- » **Emphasis on employee experience:** There is increasing awareness of and recognition that the employee experience is crucial to retaining top talent and driving business success. Companies are leveraging HCM technologies, AI personalization frameworks, and digital assistants to create more engaging, supportive, directed, and inclusive workplace environments.
- » **Outsized skills demand:** IDC research suggests that organizations are keenly aware that their current workforce is unable to keep pace with skills requirements unless they make significant investments in continuous learning. For example, 27% of organizations are investing significantly in GenAI tools with spending planned for employee training and development within the next 18 months, according to IDC's May 2024 *Future of Work Survey*. Beyond emerging technology skills, organizations are also lacking talent with skills to maintain and evolve existing infrastructure.

While momentum for digital and AI transformation is accelerating, many organizations find their digital environments lack sufficient data orchestration, compute, and integration capabilities. AI use cases for workforce skilling, employee experience, and unified business/employee performance modeling require clean and complete data drawn from diverse data sources. They also increasingly need access to unstructured data sources. IDC has found that larger organizations are up to 43% more likely to experience data disparity across siloed tools, disconnected solution ownership, and variable data entry and record management modalities. Organizations clearly have a long way to go when it comes to channeling company data sets into a centralized intelligence environment. Many may not know where to begin or may lack the IT skills necessary to get started.

Important Considerations

Building a modern ecosystem pushes companies to rethink how digital deployment, adoption, and insight augment one another. Organizations must connect workforce achievements to operational management guidance in a way that reflects and responds to key moments for each employee. As these organizations invest in cloud-based, AI-enhanced digital HCM environments, over 60% of them experience lags in employee adoption. Despite strong growth

commitments to modern cloud HCM ecosystems, 49% of HR and technical stakeholders feel that the organization is not sufficiently skilled to build the necessary strategies and infrastructure to become a fully digital business. As a result, consultative engagements around digital transformation rank among the top 5 investment priorities (source: IDC's *Future Enterprise Resiliency and Spending Survey, Wave 4, April 2024*).

IDC has found that more than half of the companies surveyed are actively engaging in or seeking pathways to cloud HCM ecosystems. However, the average HR technology lead is twice as likely to scope their solution choices and specifications based on current functional needs rather than the scale and requirements needed for SaaS solutions, according to IDC's *August 2024 Human Capital Management Survey*. It is no surprise then that a growing group of data and digital consulting partners are specializing in end-to-end digital transformation and AI transformation efforts including those for cloud data and analytics migration.

Even in a solution-controlled engagement, organizations moving into a cloud HCM environment must consider the future state of their solution choices beyond their functional needs. While it may not be possible to know the exact characteristics of tomorrow's company, organizations can assess the degree and nature of operational factors within their control span. Achieving operational and insights efficiency across the workforce should only be half the equation for selecting a cloud HCM provider. The other half should pertain to how the solution use case supports wider operational modeling and experience insights for individual employees to help drive engagement, growth, and achievement while minimizing attrition risks. When companies measure the potential impact of their cloud HCM choices based on solution scale and flexibility, they are 82.6% more likely to realize improvements in employee satisfaction and 48.9% more likely to improve corresponding employee performance across their cloud HCM use cases, according to IDC's *August 2024 Human Capital Management Survey*.

HCM tools have value propositions based on HR metrics that define and measure employee enablement and success. IDC has found that customer support and solution enablement is the fourth-ranked criteria for companies in their selection of HR technology. The customer support and enablement ranking is closely tied to the provider's vision for emerging technologies and use cases. Isolating the field of respondents for those prioritizing scalability and flexibility, customer support and enablement rises to the second-most evaluated consideration, even if support and enablement are augmented by nonvendor consulting or solution implementation (SI) partners.

Employee adoption is essential for success in cloud solution deployments, as it determines the deployment's scale, depending on the cost and efficiency opportunities. Successful adoption will determine the scale of access and success in realizing the solution's return on investment. Selling the solution to the workforce requires communications and behavioral guidance once the solution is fully implemented. In some cases, new solutions may require dynamic workflow management or employee retraining. Having vendor or consulting partner support can help overcome employee resistance to change.

Considering Rizing

Rizing with Wipro combines digital systems guidance and transformation with strategic and operational consulting to support clients through a complete transition to digital transition and AI enablement. Rizing with Wipro offers organizations an opportunity to digitize and modernize their insights ecosystem regardless of the state of their current HR analytics and recordkeeping environments. The Rizing Wipro combined organization helps companies navigate the complexities of modern workforce management across various segments, including retail, manufacturing, healthcare,

and the public sector. Rizing provides professional services that support implementing and optimizing cloud-based HCM solutions, particularly those related to SAP SuccessFactors. These services include:

- » **Strategic advisory engagements** to help organizations assess their HCM needs and develop plans that align with their business objectives
- » **Implementation services** to assist in deploying cloud-based HCM systems tailored to an organization's needs
- » **Optimization and support** to ensure HCM systems meet organizational goals, including system upgrades and user training

Rizing's experience with the following areas supports organizations in navigating modern HCM environments:

- » **Cloud adoption:** The company's familiarity with cloud-based HCM platforms is relevant as organizations move away from on-premises systems.
- » **AI-driven innovation:** Rizing's work with AI-driven HCM processes aligns with the technology trend to enhance decision-making and employee experiences.
- » **Workforce sustainability:** Its focus on continuous learning and workforce development ties into the broader need for organizations to prepare for future workforce demands.

Challenges

Rizing has a deep and specialized partnership with SAP, including advanced capabilities with the SAP Business Technology Platform (BTP). That said, clients may face challenges in engaging the firm for solutions that are not within the SAP partner ecosystem or deployed on BTP but that may still need integration into the SAP cloud and SuccessFactors environment. Rizing's digital-first methodology may pose challenges for companies that remain in a hybrid model across HR functions as they progress through their ecosystem migration. At the same time, cloud HCM migration requires transformation at the digital, data, systems measurement, and HR operational levels. While Rizing provides resources to steward all these areas, its principal capabilities are strongest at the digital and data transformation levels, and customers may have to seek additional partnerships to support and augment the other levels.

Conclusion

The future of HCM will involve strategically adopting cloud technology, AI-driven innovation, and workforce sustainability. These elements are crucial for organizations seeking to enhance productivity and agility, drive innovation, and build a resilient, future-ready workforce.

Cloud-based HCM solutions provide the scalability and flexibility to adapt to changing market conditions. While AI, automation, and smart technologies are transforming business operations, talent management, and employee experience, companies cannot ignore the associated challenges, such as integration complexities, data sovereignty concerns, and skill gaps.

Organizations that effectively address these challenges and fully leverage the scalability of cloud-based HCM and modern technologies will be well positioned to thrive in a competitive global market. The future of HCM is about more than technology — it is about creating a workforce that can drive sustained business success in an ever-evolving landscape.

About the Analysts



Sam Halwani, Vice President, Human Capital Management

Sam Halwani is the vice president of Human Capital Management and Modern HR practice. Sam has over 20 years of experience as a strategic HR advisor, solutions architect, hands-on implementation consultant, and practitioner in the HR tech, strategic HR, and talent advisory space. Sam is helping organizations of all sizes develop and implement best practices in the HCM and payroll areas, as well as helping technology vendors and services organizations effectively engage with their products, services, and the markets they serve.



Zachary Chertok, Research Manager, Employee Experience

Zachary Chertok is the research manager for IDC in Employee Experience (EX). Mr. Chertok's core research coverage includes all aspects of employee experience management including but not limited to wellness and well-being; adaptive and responsive learning and development; recognition; employee engagement; corporate culture; diversity, equity, and inclusion; employee journey mapping; analytical personalization; and supporting digital and consultative services.

MESSAGE FROM THE SPONSOR

Rizing with Wipro, creates a combined technology and SAP consulting powerhouse using real-world expertise to implement end-to-end SAP-based solutions powered by SAP S/4HANA. Our team is comprised of specialized experts in Human Capital Management, Retail and Enterprise Asset Management. Through our experience in HCM transformation, we help organizations navigate the complexities of modern workforce management across various segments, including retail, manufacturing, healthcare, and the public sector. We provide professional services that support implementing and optimizing cloud-based HCM solutions, particularly those related to SAP SuccessFactors.

To learn more or to get a conversation started with an HCM specialist from [Rizing](#), [contact us here](#).



The content in this paper was adapted from existing IDC research published on www.idc.com.

IDC Research, Inc.
140 Kendrick Street
Building B
Needham, MA 02494, USA
T 508.872.8200
F 508.935.4015
Twitter @IDC
idc-insights-community.com
www.idc.com

This publication was produced by IDC Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2024 IDC. Reproduction without written permission is completely forbidden.